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25X1 CONFIDENTIA 25X1 their exports were 21% crude foods, 38% raw materials, 25% semi-manufactured goods (like egg products), and 16% finished goods, including some textiles. If we were to assume that today's annual import-expirt potential is also about US\$ 1 billion, with a breakdown about the same as for 1935-37, it would be seen that roughly half of Chinese imports would normally be in consumer goods; this the Communists do not want. What they do went is only capital and intermediate goods, for which probably the prewar amount of exports would be able to pay, ie they can probably export the 1/2 billion needed to pay for 1/2 billion in capital goods. Can they find markets? There have been some indications that their efforts have produced at least some export products. Not long ago a Rome paper published statistics showing the availability in Europe of both tung oil and bristles. This leads to another question: can the USSE afford t let the Chinese build up their economy to the paint of becoming not only strong at home but a world trader? As of now the Chinese are producing about two million tons of steel a year, probably in Shansi as well as Manchuria (Shansi iron ore has a higher metallic content and its coking coal is better). The Chinese want to reach a steel production rate of five million annual tons, but if they do, with other increases to metch, they may become quite a problem for the Soviets. 25X1 there are two things the Chinese Communists are eager for beyond anything else: 25X1 International trade and admission to the United Nations. these two factors will play very largely in everything they say and do both inside and outside the country for some time to come. -end 25X1

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